

Developing Countries' Access to International Capital Markets: What Constraint MENA?

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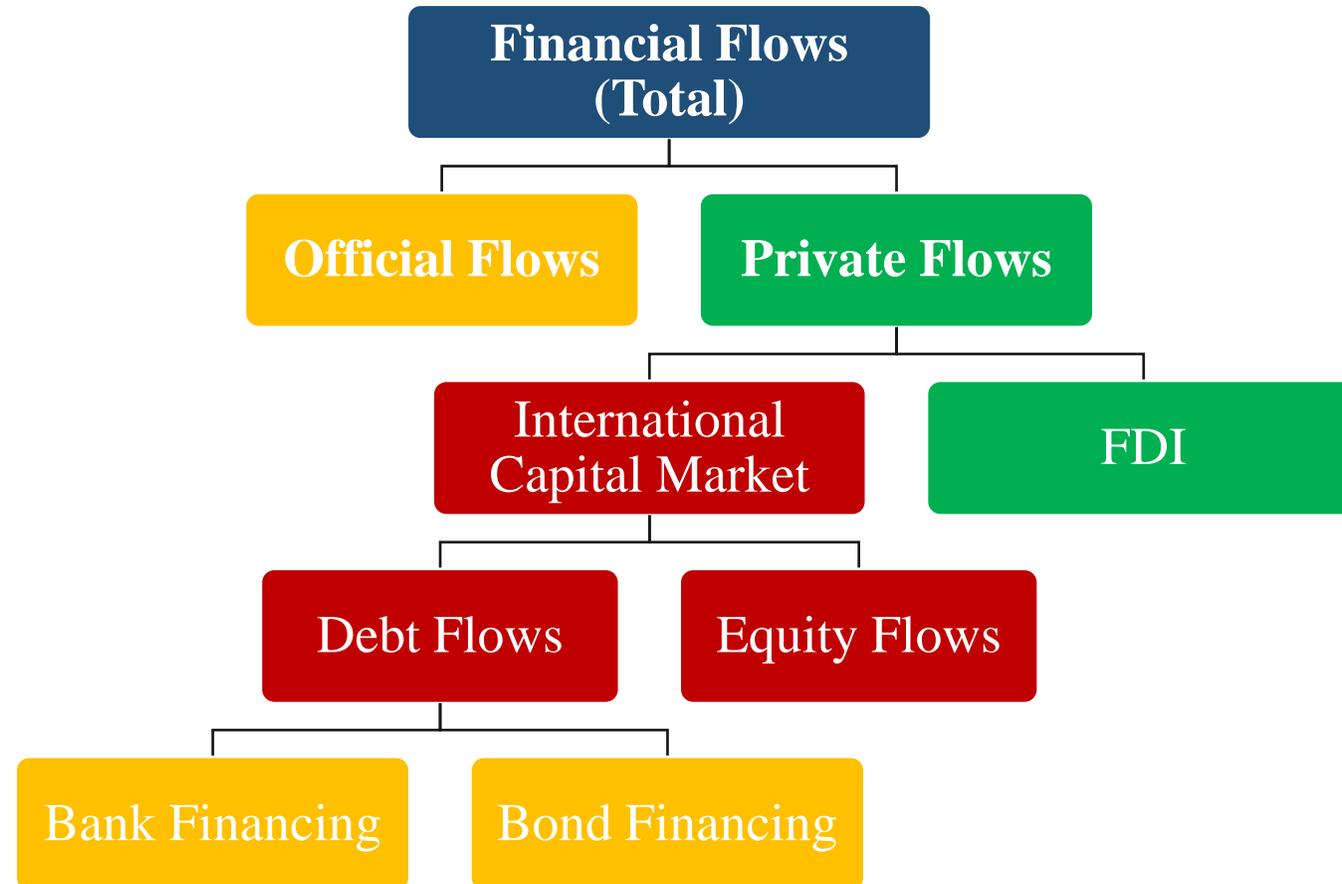
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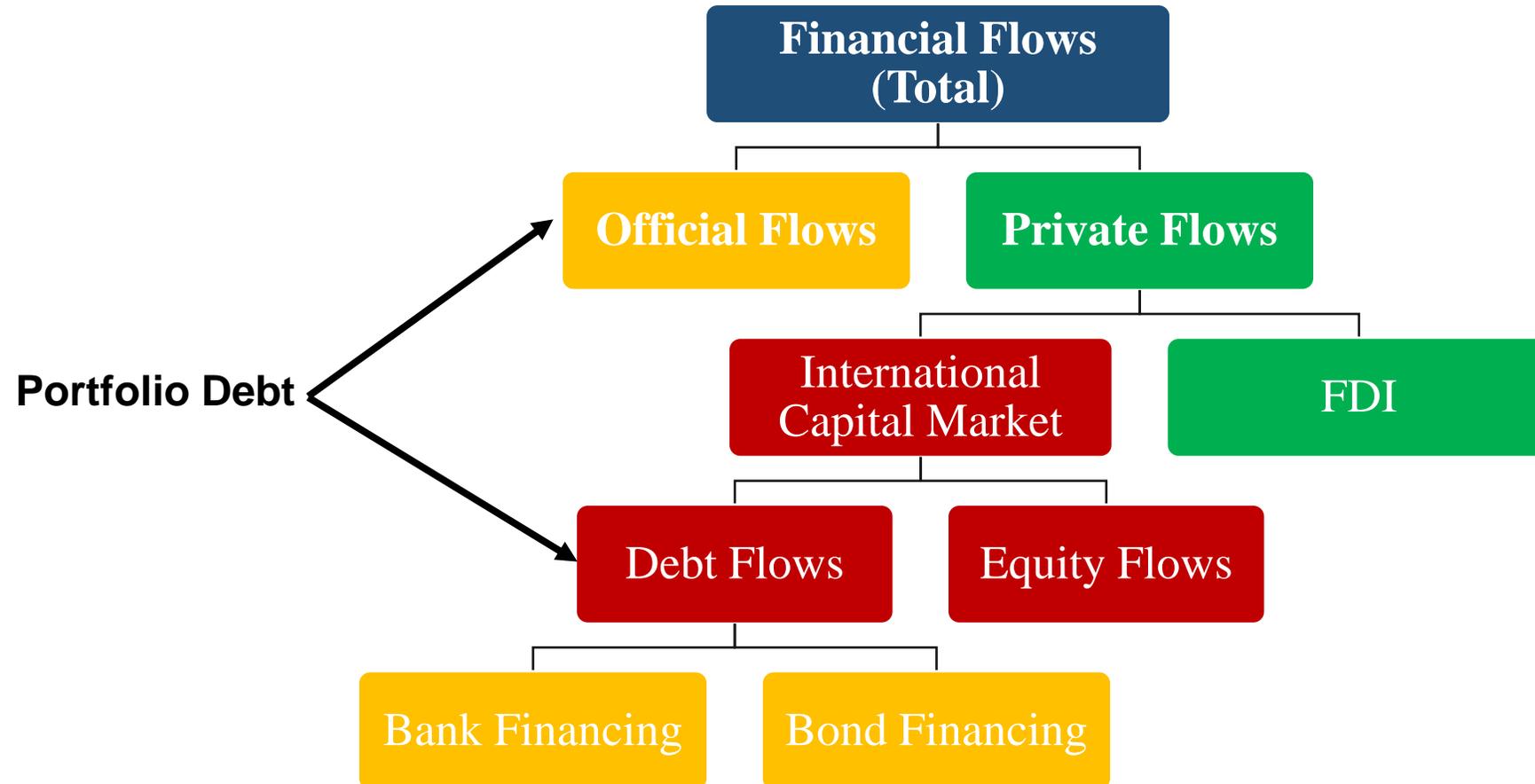
1. Theoretical Framework & Market Access Definition

Figure 1: Financial Flows Breakdown



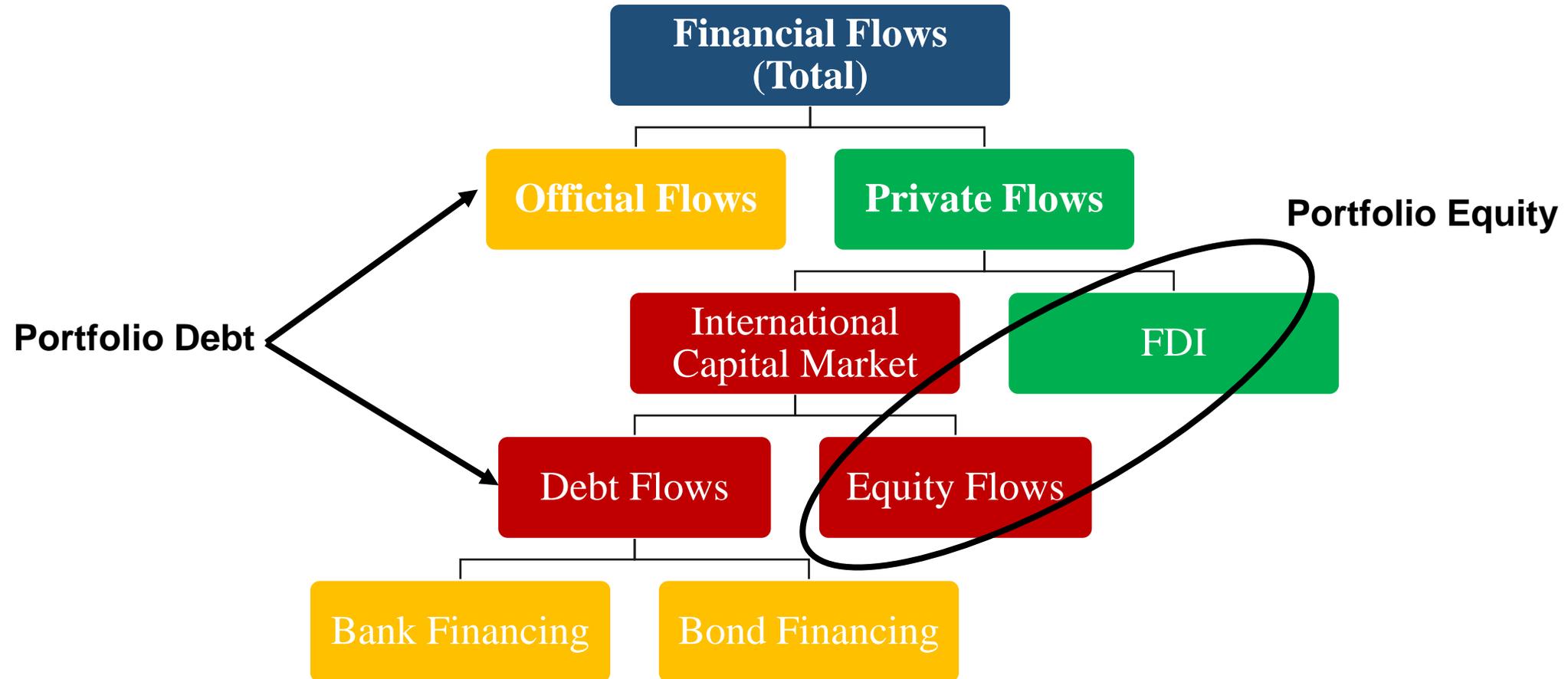
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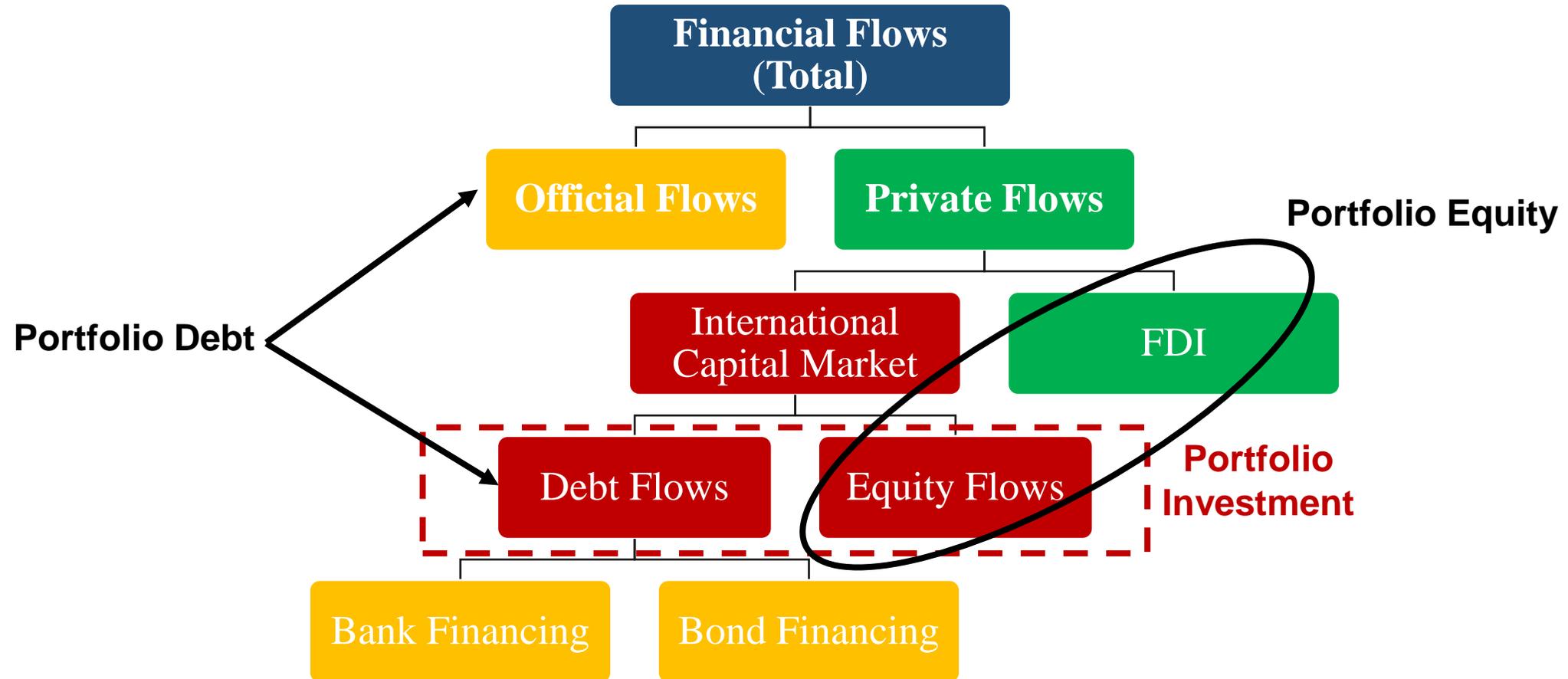
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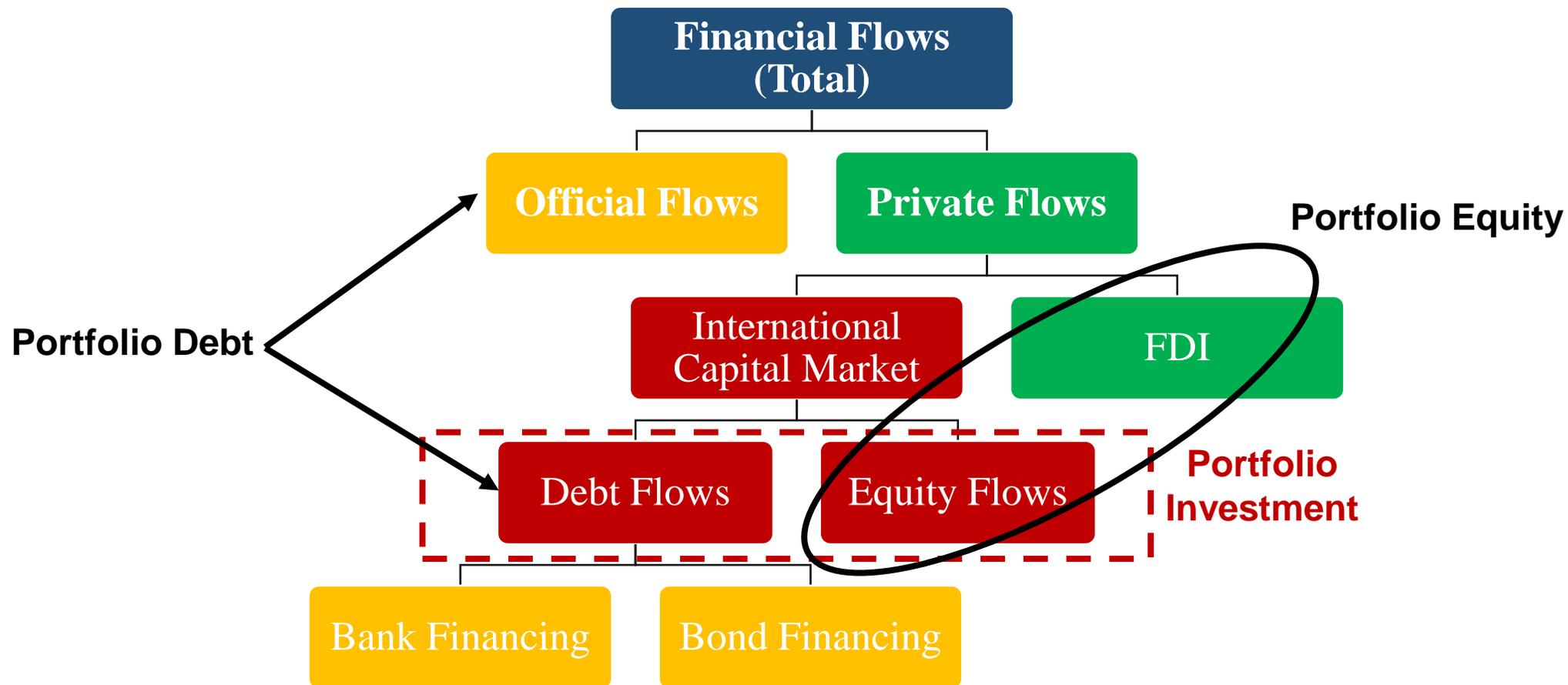
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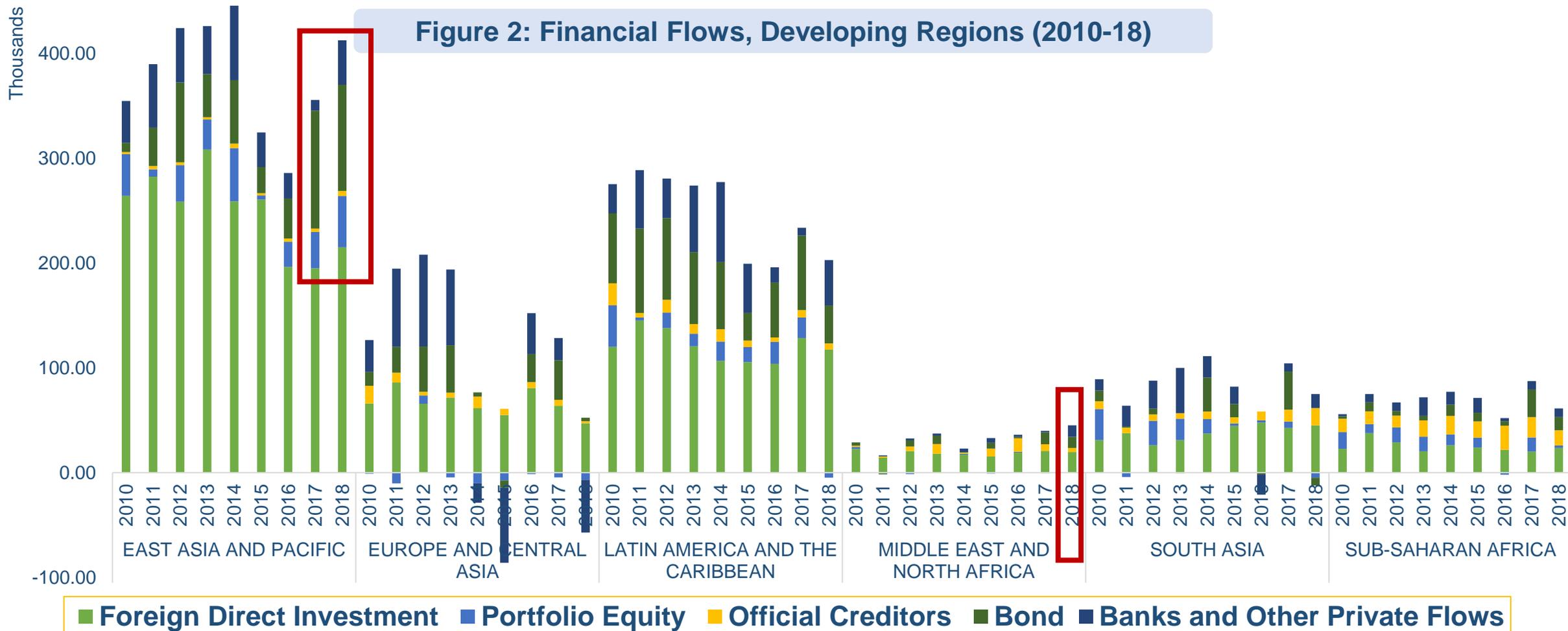
Figure 1: Financial Flows Breakdown



Market access is defined as any positive flow of private creditor debt in the form of debt flows (bonds, commercial bank loans) and equity flows, or other private creditor sources to the public or publicly guaranteed sector.

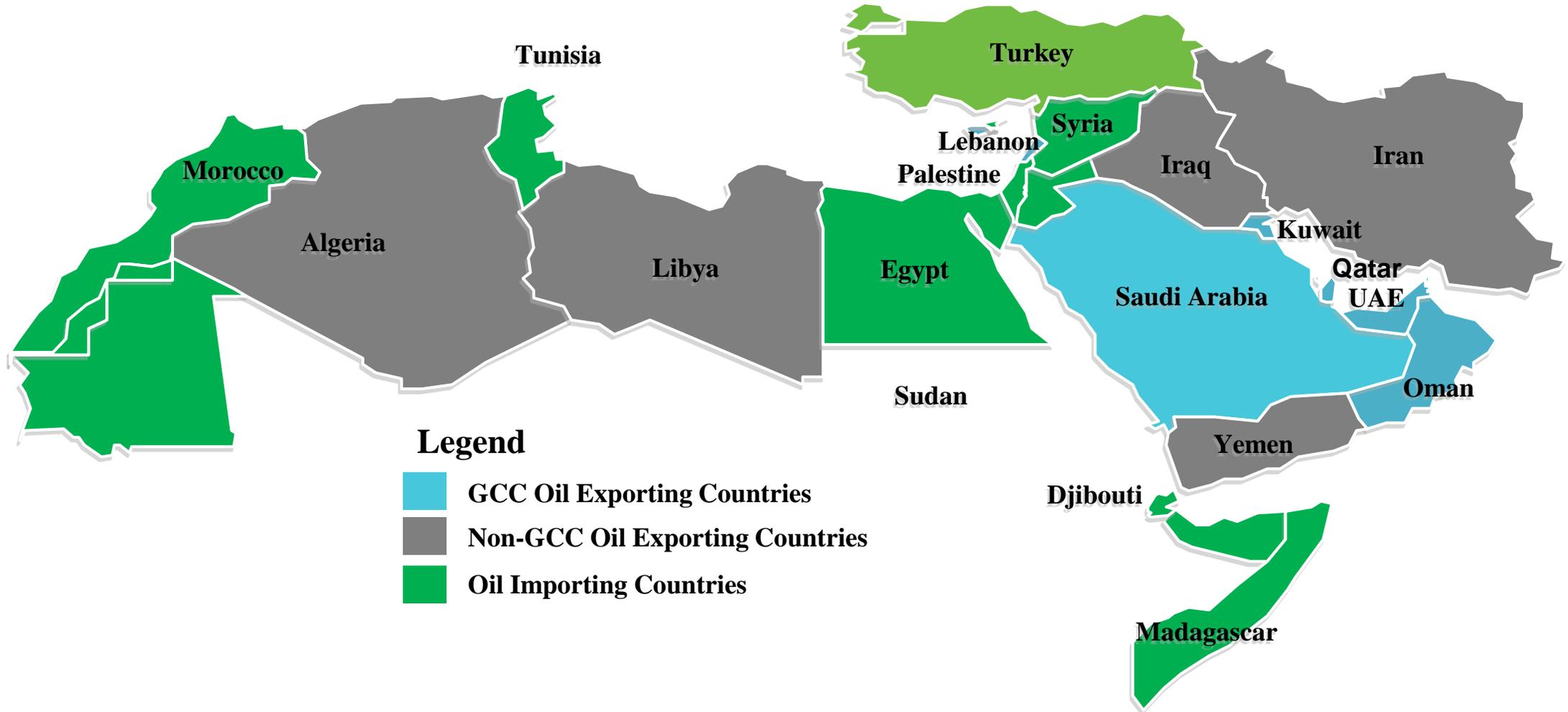
2. Motivation and Background

Figure 2: Financial Flows, Developing Regions (2010-18)



MENA has the lowest participation rate amongst developing regions. MENA capital flows rising to \$182 billion in 2018 driven by sovereign issuance and banking flows.

MENA is diverse in many aspects



2. Motivation and Background (Cont'd)

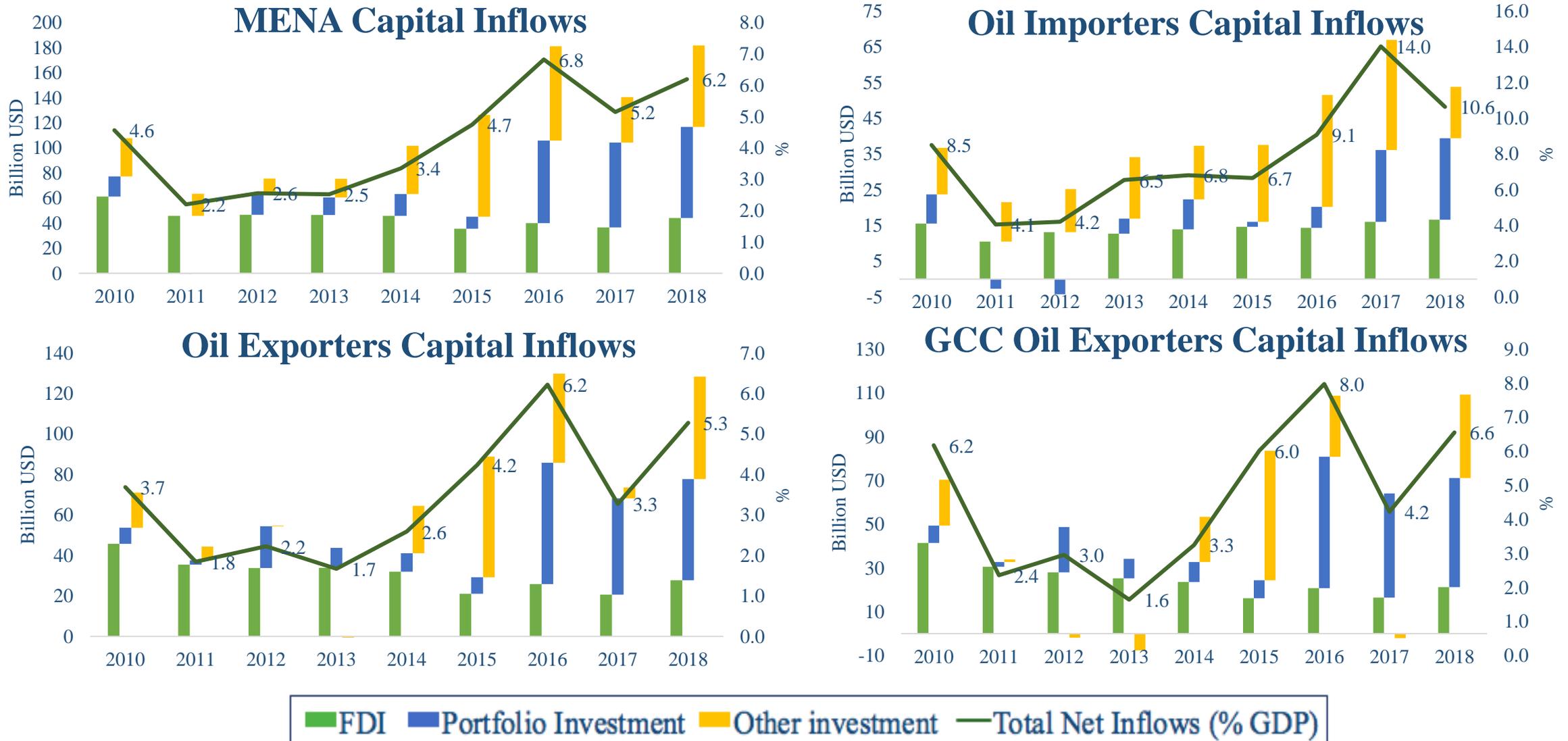
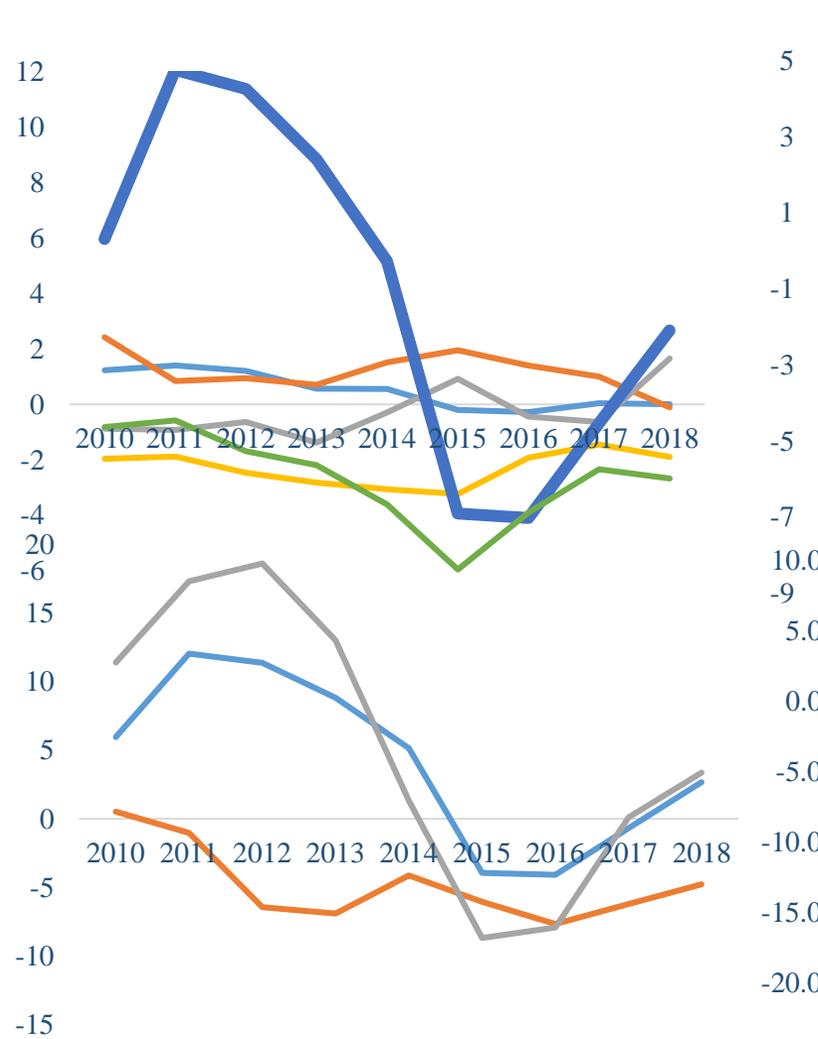


Figure 3: Capital Inflows Composition

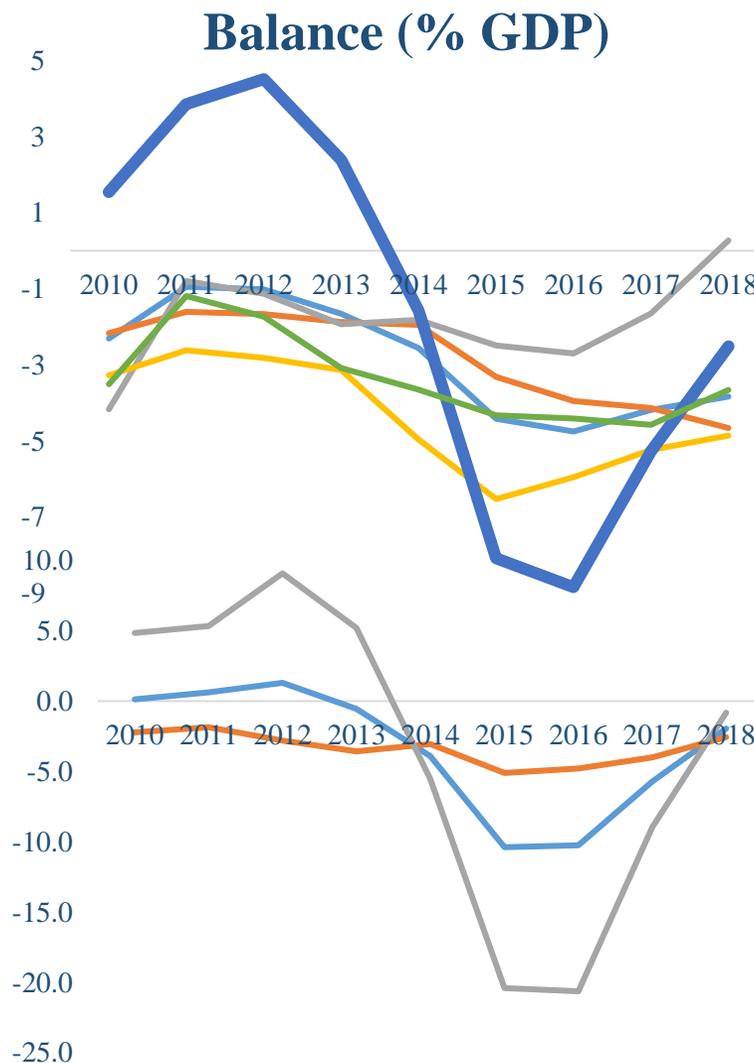
2. Motivation and Background (Cont'd)

Figure 4: Macroeconomic Indicators

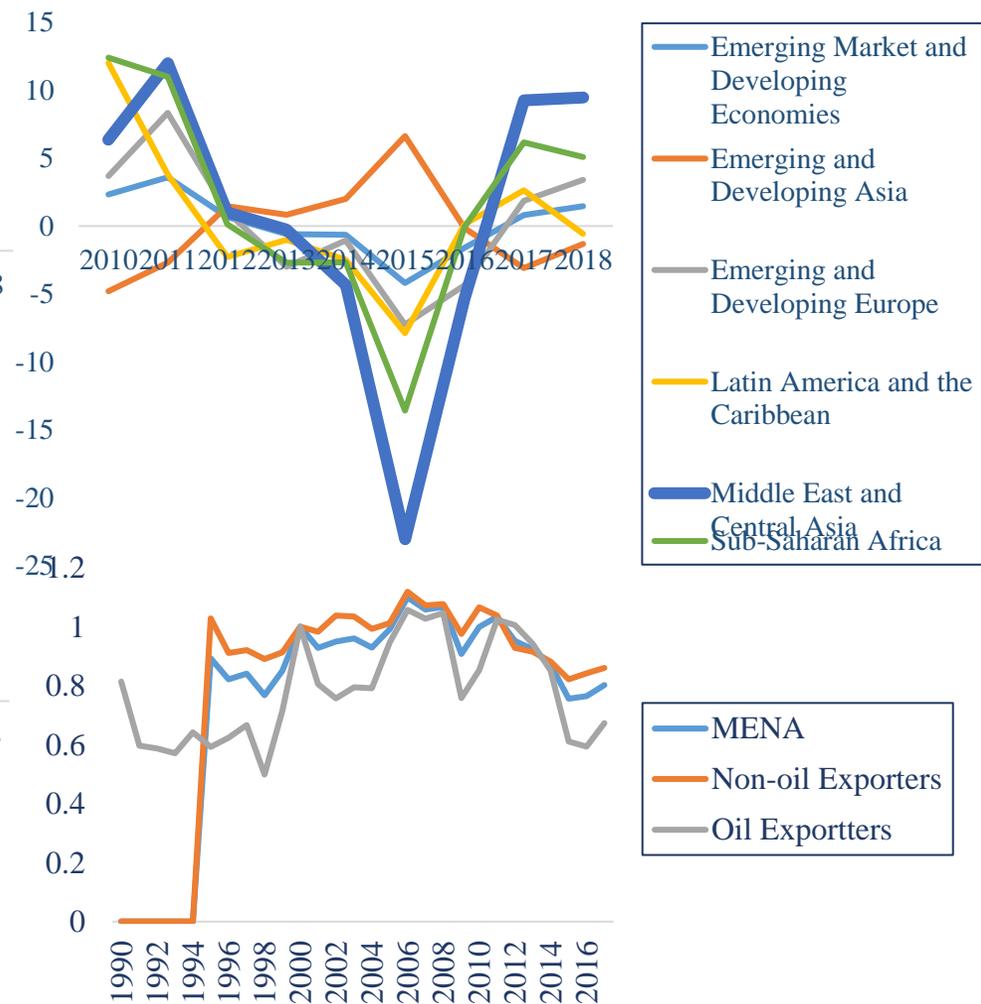
Current Account Balance (% GDP)



Central Government Fiscal Balance (% GDP)

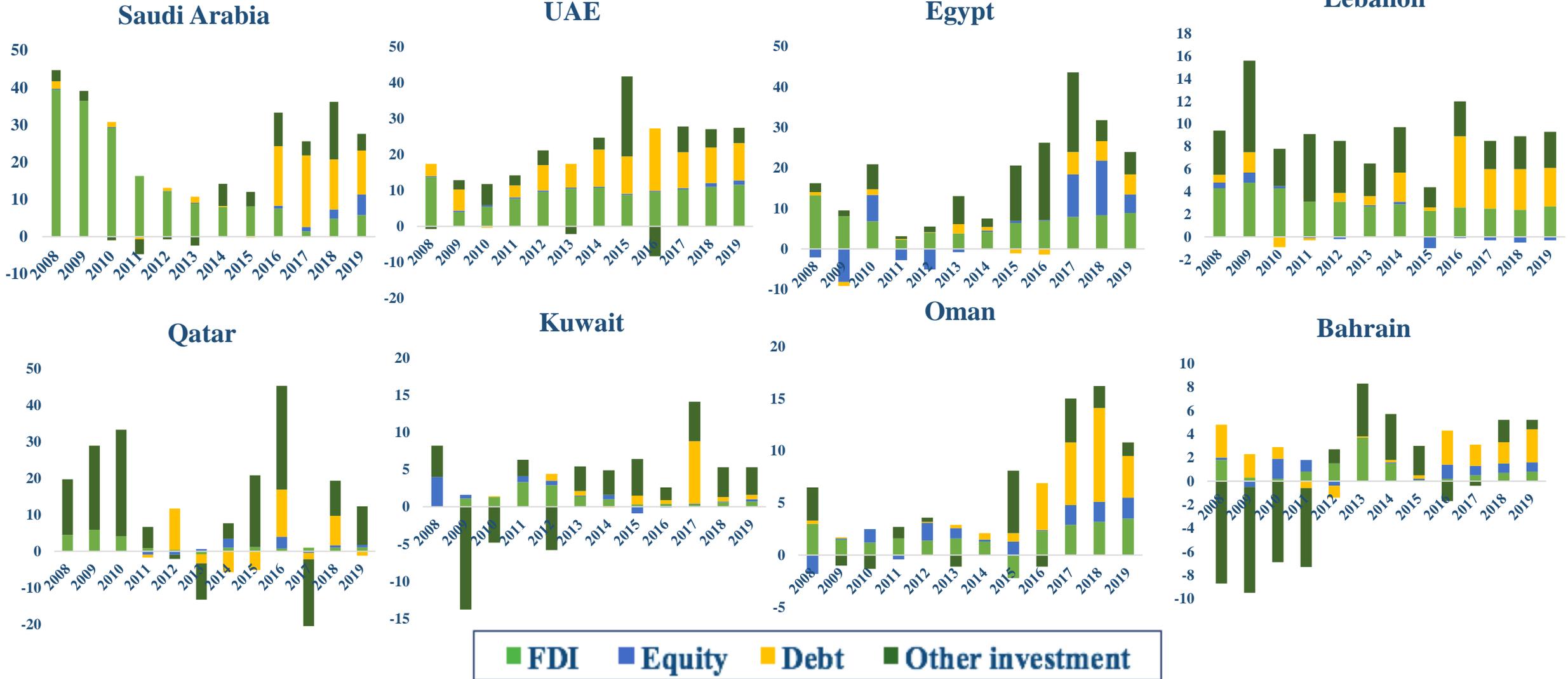


Terms of Trade (%Δ)



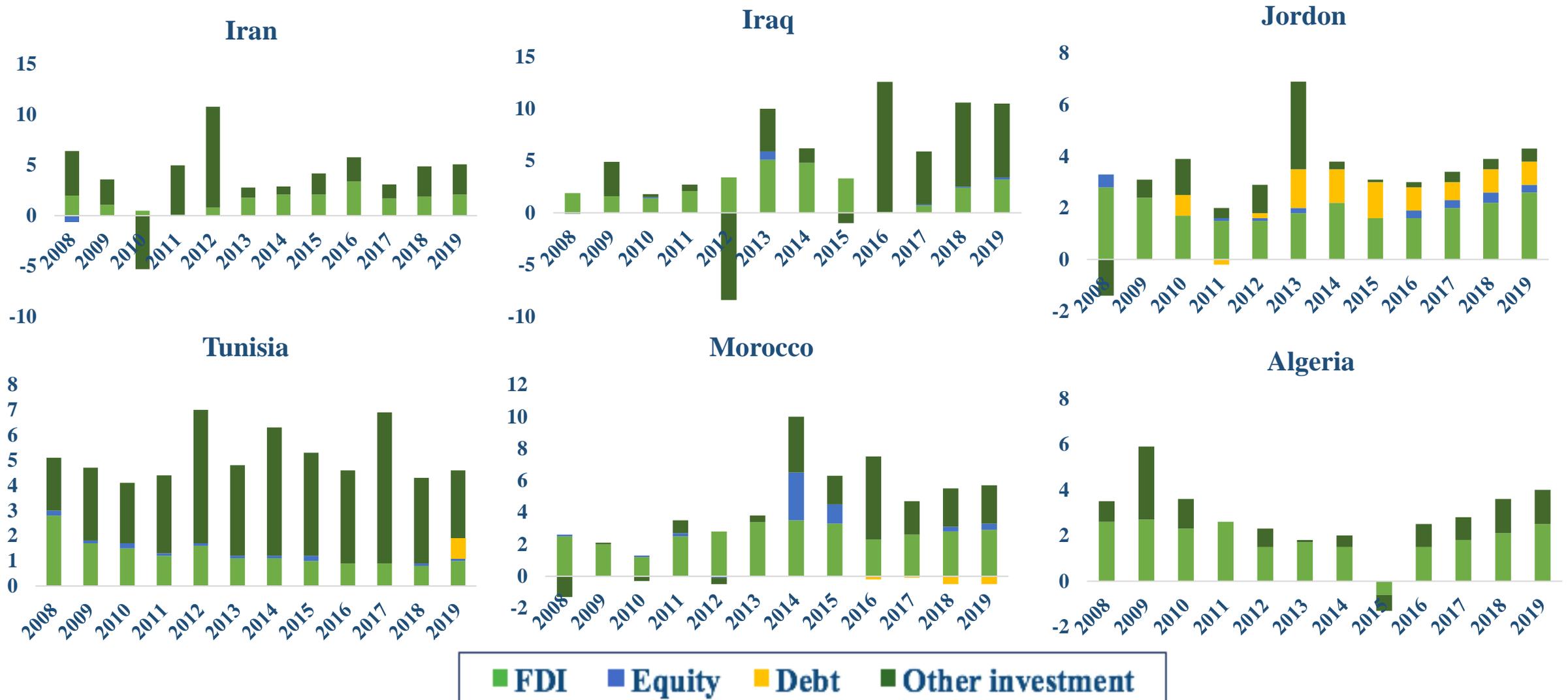
2. Motivation and Background (Cont'd)

Figure 5: Composition of Capital Flows by Country

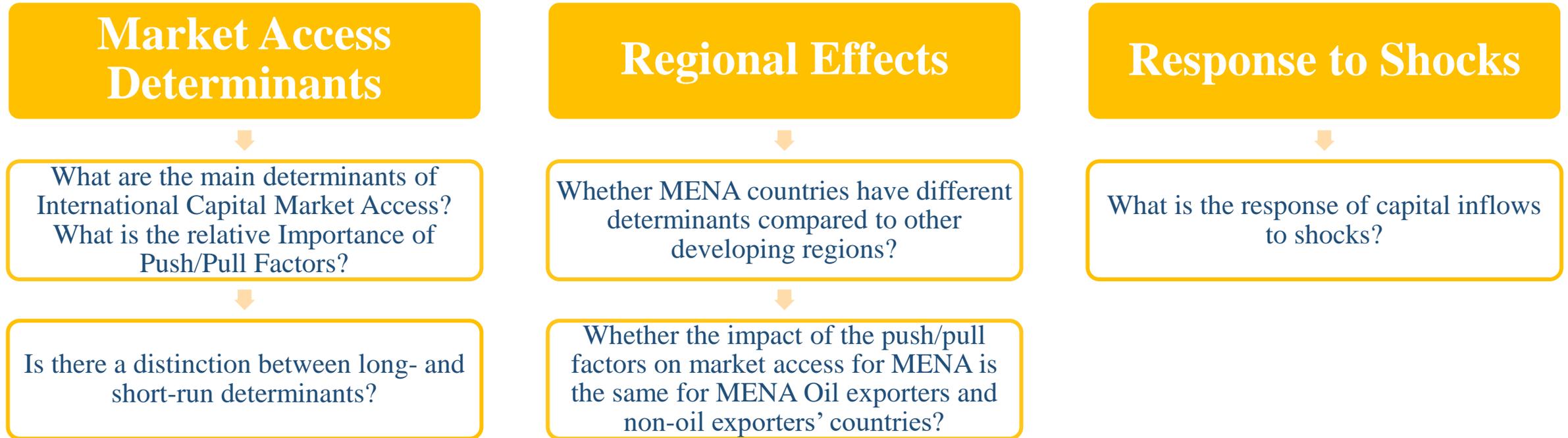


2. Motivation and Background (Cont'd)

Figure 5: Composition of Capital Flows by Country (Cont'd)

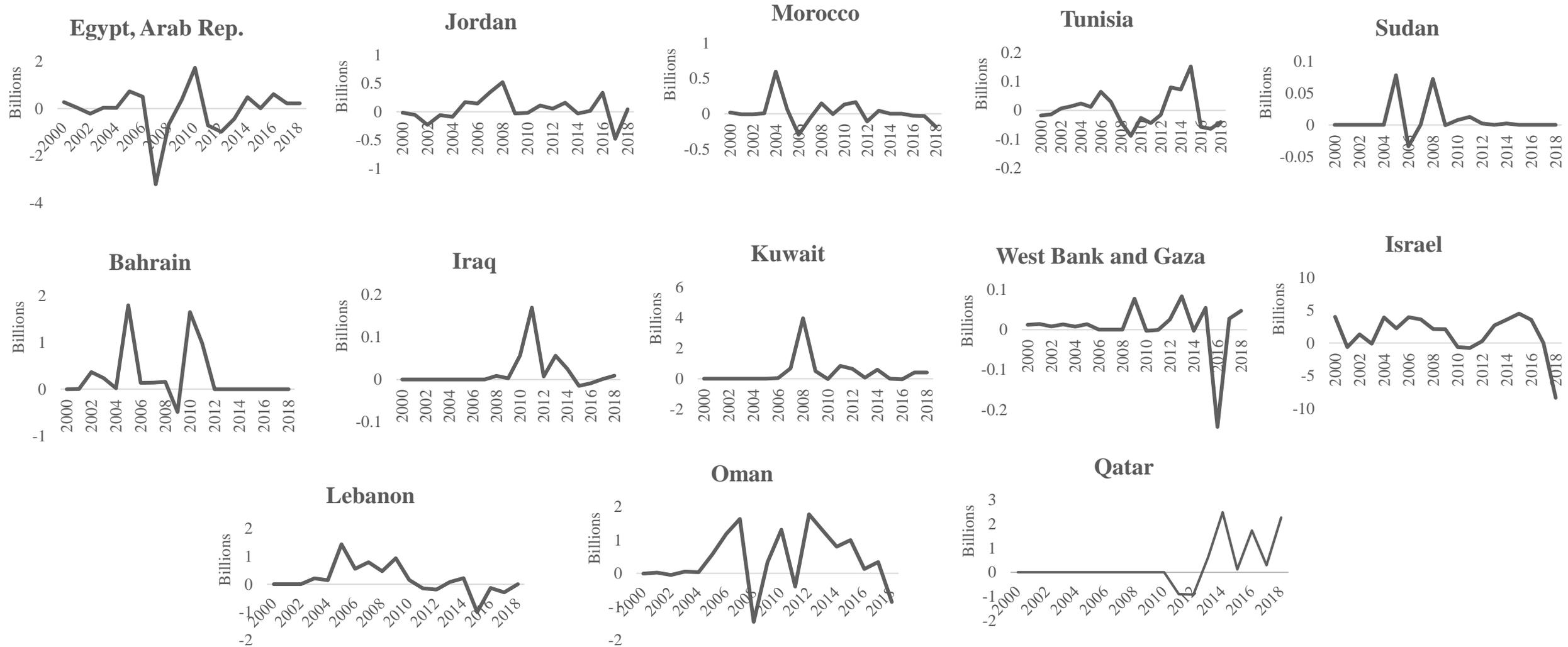


3. Research Objectives and Questions (Cont'd)



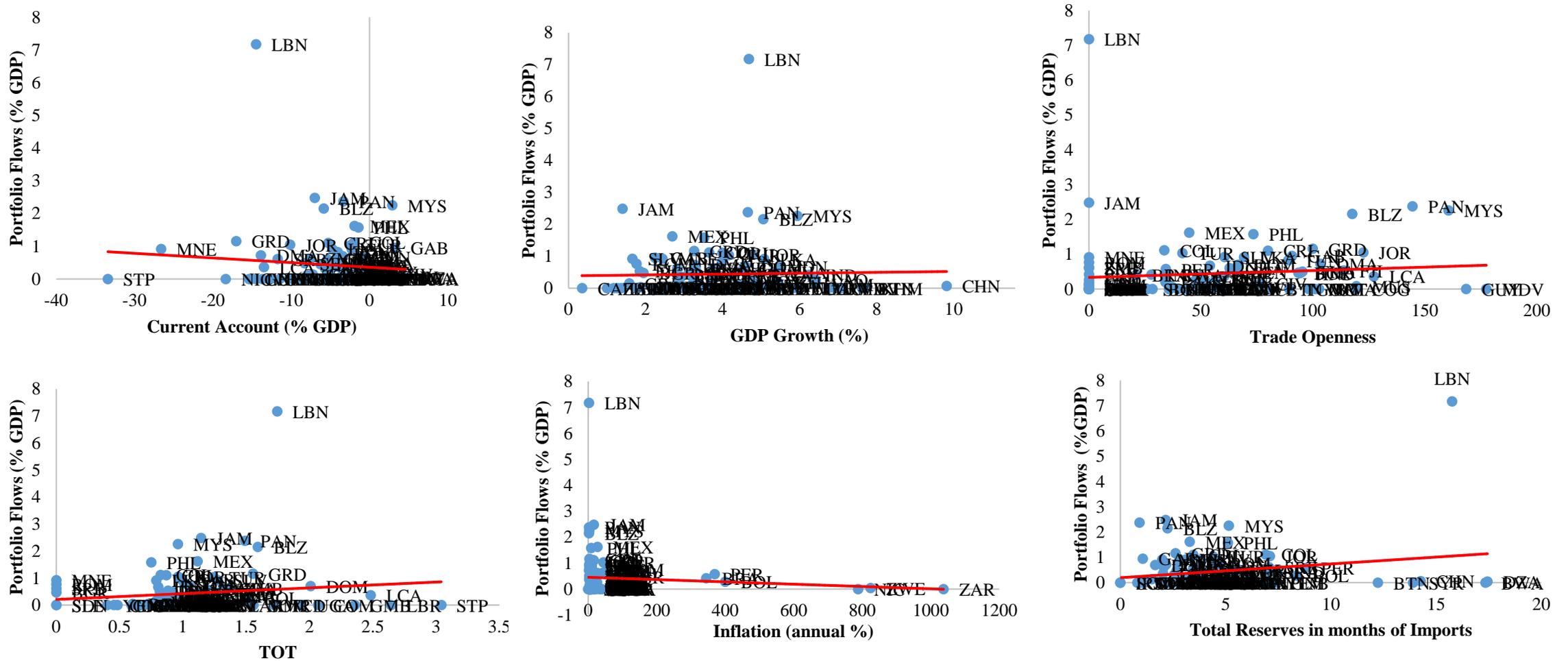
4. Main Findings

Figure 6: Portfolio Flows by Country



4. Main Findings (Cont'd)

Figure 7: Portfolio Flows and Country Performance, Average 1990-2018, Full Sample



Market Access Determinants, Developing Countries

	Portfolio Investment (Total)				Bonds Flows				Portfolio Equity			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
Internal Factors												
GDP (Billion \$)	-121.760*** (18.878)	0.873*** (0.078)	-82.269*** (18.955)	0.707*** (0.103)	-77.397*** (18.810)	0.573*** (0.105)	-12.059 (22.822)	0.480*** (0.130)	-9.217 (21.019)	0.489*** (0.129)	-121.760*** (18.878)	0.873*** (0.078)
GDP growth	-12.538*** (4.315)	-0.017 (0.018)	-12.027*** (4.350)	-0.015 (0.019)	-11.917*** (4.328)	-0.016 (0.018)	-12.917*** (4.627)	-0.031 (0.021)	-13.865*** (3.734)	-0.018 (0.023)	-12.538*** (4.315)	-0.017 (0.018)
Real per capita GDP		0.008 (0.023)	0.008 (0.023)	0.009 (0.023)		0.031 (0.023)	0.030 (0.023)	0.028 (0.023)		0.165*** (0.042)	0.165*** (0.043)	0.165*** (0.042)
Current account (% GDP)	-9.020*** (1.986)	-0.005 (0.010)	-5.353*** (2.058)	-0.008 (0.010)	-4.740*** (2.063)	-0.007 (0.010)	-9.020*** (1.986)	-0.007 (0.010)	-10.038*** (2.002)	-0.005 (0.010)	-5.631*** (2.060)	-0.008 (0.009)
Fiscal Balance (% GDP)			0.005 (0.032)	0.005 (0.032)	0.008 (0.033)	0.100** (0.047)	0.109** (0.046)	0.138*** (0.049)		0.036 (0.063)	0.037 (0.064)	0.056 (0.063)
Reserves (in months of imports)			-11.813*** (3.605)	-0.027* (0.015)	-11.796*** (3.583)	-0.025* (0.015)	-11.273*** (3.513)	-0.014 (0.015)	-7.975** (3.225)	-0.021 (0.016)	-7.799*** (2.921)	-0.021 (0.016)
Inflation	-0.233*** (0.065)	-0.303 (0.409)	-0.300 (0.412)	-0.315 (0.419)	0.111 (0.089)	-1.440** (0.694)	-1.584** (0.690)	-1.979*** (0.724)	0.104 (0.127)	-0.626 (1.106)	-0.630 (1.111)	-0.938 (1.097)
PPG External Debt (% GDP)			0.001 (0.003)	0.002 (0.003)			-0.006 (0.003)	-0.006 (0.003)			-0.001 (0.006)	0.002 (0.006)
ToT				0.114 (0.350)				0.501 (0.585)				-0.644* (0.380)
Trade Openness				0.067 (0.300)				-0.064 (0.552)				-0.248 (0.430)
Fiscal Balance (%GDP) * Real					12.006*** (3.708)	-0.056*** (0.019)	11.507*** (3.994)	-0.049*** (0.018)	10.459*** (3.755)	-0.050*** (0.018)	8.964** (3.553)	-0.052*** (0.019)
Per Capita GDP												

Market Access Determinants, Developing Countries (Cont'd)

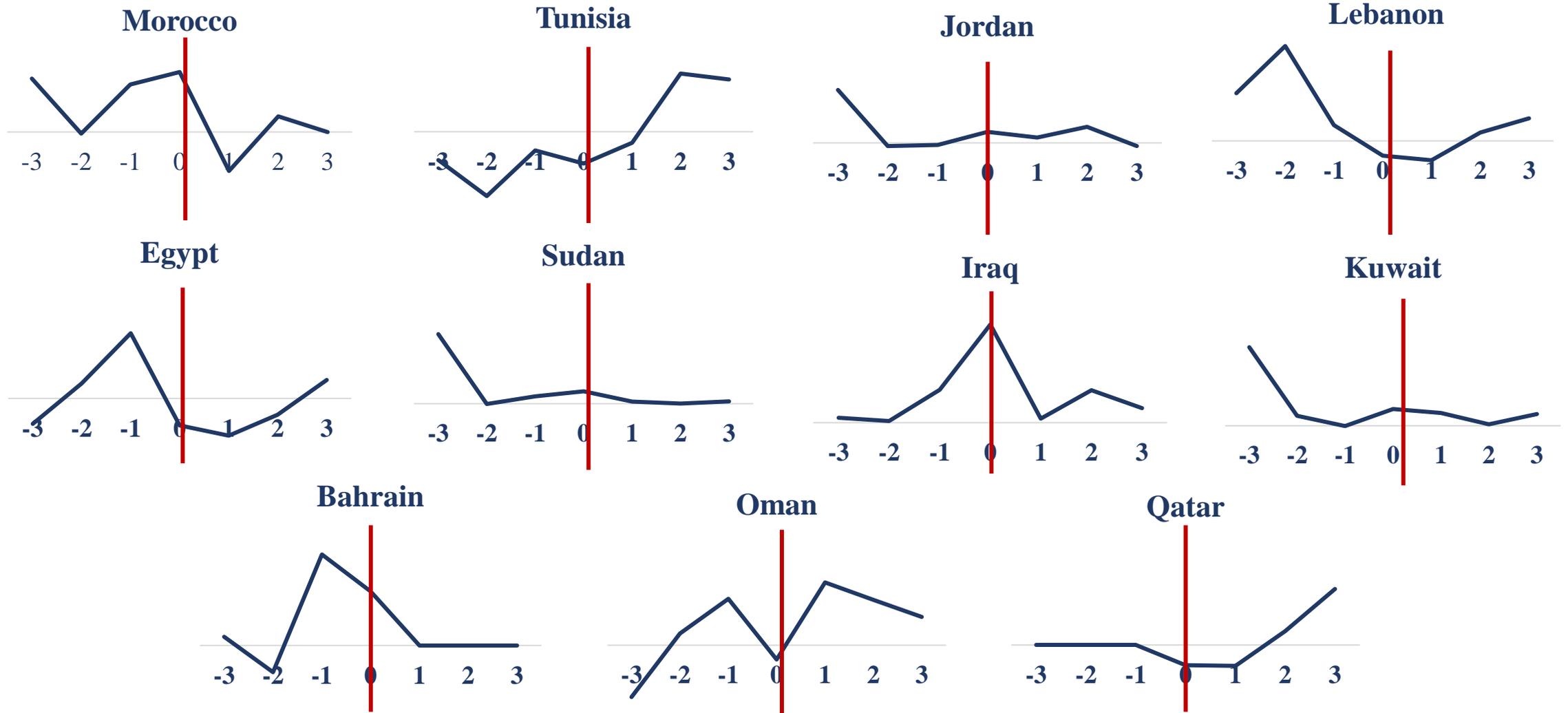
	Portfolio Investment (Total)				Bonds Flows				Portfolio Equity			
	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)	(1)	(2)	(3)	(4)
IMF program in the previous 3 years			94.664**	0.594**	92.074**	0.607**	92.465**	0.568**	19.193	0.619**	-0.289	0.633**
US GDP (Billion \$)			(44.310)	(0.268)	(43.715)	(0.274)	(43.034)	(0.274)	(47.539)	(0.281)	(47.995)	(0.283)
				0.259				0.250				0.003
				(0.284)				(0.535)				(0.330)
US Treasury Yield (10 years)	2.533***	2.433***	2.425***	2.219***	3.594***	3.179***	3.317***	3.135***	5.695***	3.013***	3.027***	3.063***
VIX Index	(0.040)	(0.273)	(0.278)	(0.353)	(0.056)	(0.306)	(0.314)	(0.503)	(0.077)	(0.694)	(0.706)	(0.732)
					4.782***	-0.002	4.630***	-0.003	4.573***	-0.002	3.977***	-0.007
					(1.503)	(0.008)	(1.489)	(0.008)	(1.462)	(0.009)	(1.484)	(0.009)
Regional Dummies	0.18***	0.03***	0.09	0.01	0.08	0.009	0.18***	0.03***	0.09	0.01	0.08	0.009
	(0.05)	(0.009)	(0.18)	(0.02)	(0.1)	(0.012)	(0.05)	(0.009)	(0.18)	(0.02)	(0.1)	(0.012)
Europe and central Asia	0.09**	0.015**	0.4***	0.06**	-0.17*	-0.016**	0.09**	0.015**	0.4***	0.06**	-0.17*	-0.016**
	(0.04)	(0.007)	(0.17)	(0.03)	(0.1)	(0.008)	(0.04)	(0.007)	(0.17)	(0.03)	(0.1)	(0.008)
Latin America and Caribbean	-0.01	-0.002*	0.5***	0.06**	-0.19**	-0.018**	-0.01	-0.002*	0.5***	0.06**	-0.19**	-0.018**
	(0.04)	(0.006)	(0.17)	(0.03)	(0.09)	(0.008)	(0.04)	(0.006)	(0.17)	(0.03)	(0.09)	(0.008)
Middle East and North Africa	-0.004	-0.00068	0.73***	0.09***	0.26***	0.024***	-0.004	-0.00068	0.73***	0.09***	0.26***	0.024***
	(0.04)	(0.006)	(0.15)	(0.027)	(0.09)	(0.008)	(0.04)	(0.006)	(0.15)	(0.027)	(0.09)	(0.008)
Sub-Saharan Africa	-0.09*	-0.013	0.87***	0.13***	0.013	0.0014	-0.09*	-0.013	0.87***	0.13***	0.013	0.0014
	(0.04)	(0.006)	(0.16)	(0.03)	(0.09)	(0.009)	(0.04)	(0.006)	(0.16)	(0.03)	(0.09)	(0.009)

Market Access Determinants, MENA

Variable	(1)	(2)	(3)	(4)	(5)	(6)
Openness	.0114221*** (0.000)	.0118237*** (0.000)	.0116177*** (0.000)	.012116*** (0.000)	.0143813*** (0.000)	.0138962*** (0.000)
Debt service/exports	-1.51e-06 (0.203)	-5.35e-07 (0.789)	-1.50e-06* (0.185)	-4.17e-07 (0.825)	1.73e-06*** (0.017)	-1.43e-07 (0.867)
Inflation	-.0002189 (0.623)	-.0001915 (0.649)	-.0003419 (0.462)	-.0003482 (0.448)	-.0001154 (0.816)	-.000265 (0.615)
Reserves/months of imports	-.0114108* (0.172)	-.0159834*** (0.049)	-.0035932 (0.658)	-.0065587 (0.452)	.0003736 (0.961)	-.0034316 (0.640)
GDP per capita	.0000676*** (0.008)	.0000764*** (0.006)	.0000657 (0.007) ***	.0000758 (0.005) ***		.000052*** (0.016)
FDI		-.0184639 (0.608)		-.0198944 (0.575)		
ODA		1.15e-10* (0.109)		1.40e-10 (0.078)		
MENA			-.2627047 (0.297)	-.3405369* (0.189)	.1436278*** (0.040)	.1866649* (0.128)
Openness*MENA					-.007904*** (0.002)	-.0074092*** (0.002)
Inflation*MENA						-.0052393 (0.445)
Intercept	-.2796364 (0.020)	-.2900179 (0.146)	-.2877228 (0.018)	-.3130727 (0.140)	-.1515303 (0.064)	-.3167634 (0.006)
Adjusted R²	0.7583	0.7699	0.7638	0.7787	0.8040	0.8203

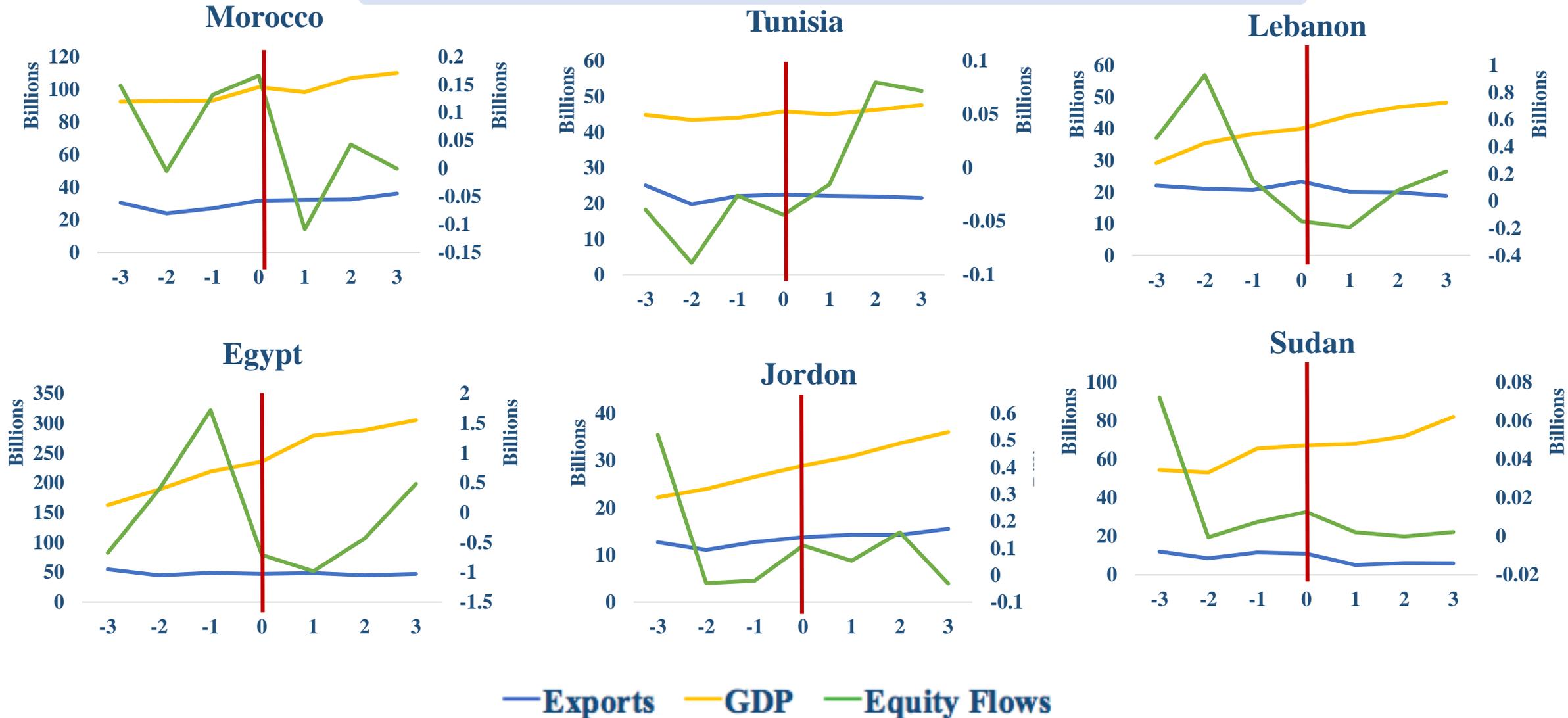
Portfolio Flows and Arab Spring Incidence

Figure 8: Portfolio Flows and Arab Spring Incidence



Portfolio Investment Flows, GDP Growth and Exports

Figure 9: Portfolio flows and Macroeconomic Indicators

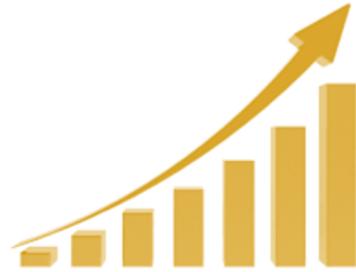


5. Policy-based Evidences



Trade Liberalization

MENA have to liberalize their trade regimes to increase capital market access .



Macroeconomy

Building a record of good economic performance, ensuring a sound fiscal and external positions is needed in order to successfully attract foreign investors.



Institutions & Governance

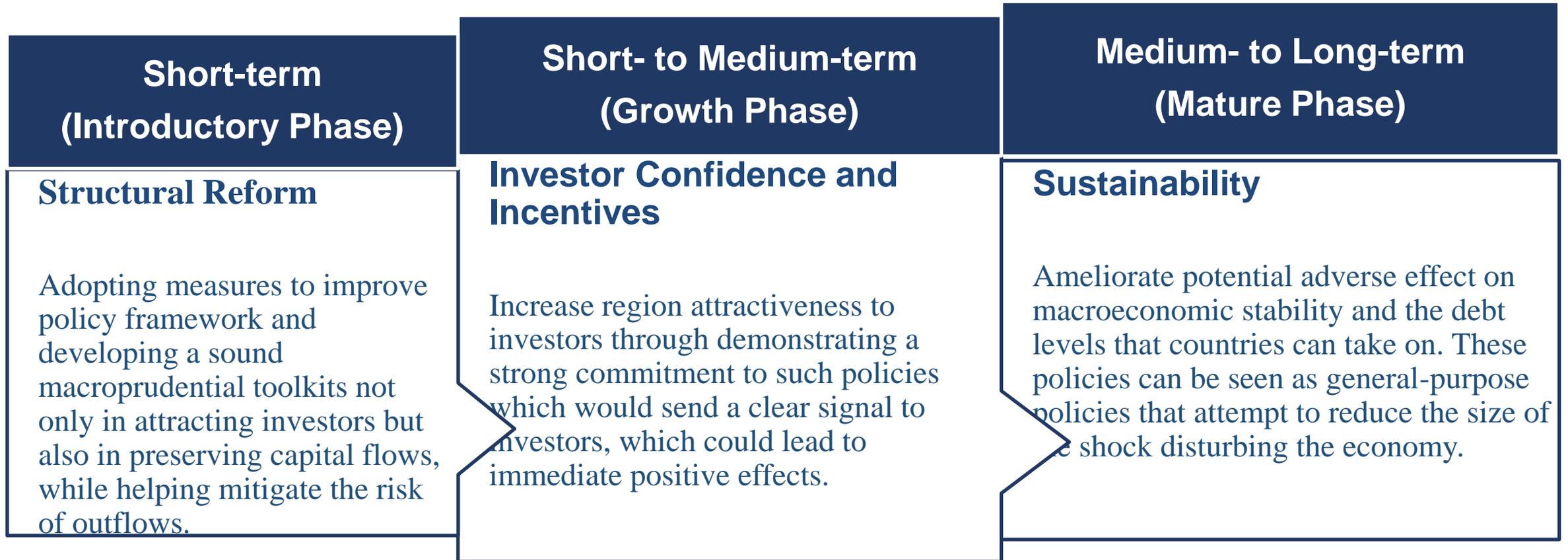
Improve the capacity of the financial system to safely intermediate cross-border flows.



Domestic Capital Market

Encourage a more stable domestic investor base, improve competition, and foster corporate debt markets.

5. Policy-based Evidences



Thank you